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TAGS: [ETRD](#) [ECON](#) [PREL](#) [EFTA](#) [UNGA](#) [PE](#)

SUBJECT: EEB A/S SULLIVAN AND WHA PDAS KELLY PITCH TRADE &  
PROSPERITY INITIATIVE TO GOP

REF: STATE 87631

Classified By: Charge' d'Affairs James D. Nealon, reasons 1.4(b)&(d)

SUMMARY

1. (C) A/S Sullivan and PDAS Kelly engaged the GOP's Foreign and Trade Ministers on the details of the Alliance for Growth & Prosperity (AGP) initiative in Lima on August 20-21. The visit revealed some differences among our GOP interlocutors and moved Peru from questioning to problem-solving mode, but also highlighted several concrete GOP concerns. One of these was the AGP's potential duplication of the GOP-supported Arc of the Pacific initiative. Foreign Minister Garcia Belaunde also expressed concerns about creating an "exclusive" bloc that could further divide the region, and about jilting Ecuador and Brazil. A/S Sullivan and PDAS Kelly sought to allay these concerns by stressing that the AGP complemented the Arc, offering to include GOP language in the communique, and underscoring the initiative's bipartisan and non-exclusive nature. Both ministers said they would try to convince President Garcia to travel to New York for the September 24 meeting. End Summary.

DETAILED, FRANK DISCUSSIONS

2. (C) EEB A/S Dan Sullivan and WHA PDAS Craig Kelly discussed the Alliance for Growth and Prosperity (AGP) initiative (reftel) in separate meetings with Minister of Foreign Affairs Jose Antonio Garcia Belaunde, Minister of Trade and Tourism Mercedes Araoz, and Vice Minister of Foreign Affairs Gonzalo Gutierrez in Lima on August 20-21. The Peruvians had previously received reftel and previous demarches on the AGP, and Trade Minister Araoz had just returned from a meeting with Commerce Secretary Gutierrez on the margins of the America's Competitiveness Forum; so all three meetings were engaging, detailed and frank discussions on how to move the initiative forward. Interestingly, the degree of enthusiasm and the specific concerns expressed in each meeting, described in sequential order below, were somewhat different.

VICE FM WON OVER

3. (C) MFA Vice Minister Gonzalo Gutierrez, an early skeptic of AGP, listened carefully to the presentation and agreed that the AGP and the Arc of the Pacific (a Peru-led grouping of Latin American Pacific Coast nations that share a commitment to free trade, deepened commercial ties and expanded insertion into the global economy) could be mutually reinforcing. A/S Sullivan and PDAS Kelly also addressed VM Gutierrez's concerns about carryover in the next US Administration. VM Gutierrez even suggested that the post-September 24 AGP ministerial be held in a Latin country (other than busy-with-APEC Peru).

TRADE MINISTER ENTHUSIASTIC,  
STAFF WORRIED ABOUT ARC OVERLAP  
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14. (C) Trade Minister Araoz was very supportive of the AGP initiative. Araoz said she had pitched the initiative to President Garcia on August 20, and that he was very interested but that the "only issue was timing" of the September 24 meeting. She said she would follow up with the President. Minister Araoz said President Garcia had asked her to write a letter to President Bush about both the AGP and the Millennium Challenge Account (MCA). She was particularly interested in the development and assistance components of the AGP, especially for countries like Peru that are moving into middle-income range.

15. (C) Vice Trade Minister Eduardo Ferreyros and other staff were principally concerned over potential overlap and duplication of effort (given limited GOP staff) with the Arc of the Pacific, which will have its next meeting in Santiago in October. In response, A/S Sullivan stressed that the USG supported the Arc. He observed that the US Congress would not be ready politically for regional trade cumulation and rules of origin measures for some time, so the USG sees the broader AGP as complementary to the Arc. He also invited President Garcia to lead the discussion of one of the five pillars during the September 24 meeting in New York.

FM CONCERNED ABOUT ECUADOR, BRAZIL AND ARC  
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16. (C) Foreign Minister Garcia Belaunde was cautiously

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supportive and made clear that he was not worried about carryover into the next US Administration nor Venezuela or Bolivia's reactions to the AGP. However, he expressed the following inter-related concerns:

-- That the AGP would exclude neighboring Ecuador, an Arc participant that had been helpful to Peru in bypassing Bolivian intransigence on US FTA-related trade issues in the Andean Community (CAN);

-- That Brazil, an increasingly important partner for Peru, would see the AGP as divisive and exclusive;

-- That the AGP would undo the Peru-led Arc of the Pacific; and

-- that an FTA with the US not be the defining credential for membership, as it would project a negative "bloc" image.

17. (C) FM Garcia Belaunde said that, in the launching phase, it would be key to send a clear message that the AGP complements the Arc and that membership would be open to willing participants. MFA officials told us later that FM Garcia Belaunde's explicit concerns about Brazil and the region were new to them, and asked for a readout of future US-Brazil discussions on AGP.

PRESIDENT GARCIA TO NYC?  
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18. (C) Minister Araoz seemed optimistic that President Garcia could be convinced to attend the leaders' meeting on September 24. Minister Garcia Belaunde said he could "not commit the President," but would ask him to attend. He noted that President Garcia has sought to distance himself from his disastrous first term not only on economic policy but also by traveling outside Peru as little as possible. For example, President Garcia did not plan on attending any UN General Assemblies during his 5-year term. While they make no guarantees, other MFA officials have suggested that an eventual call from President Bush to President Garcia could

seal the deal.

COMMENT

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¶9. (C) The draft AGP documents and this series of high-level meetings helped move Peru from skepticism to constructive consideration of the AGP initiative. For one, Peru has no beef with the themes, as spreading the benefits of trade-led growth to rural areas and small business is a top GOP priority. While the Trade Minister and Vice Foreign Minister were supportive, we still need to work to persuade the Foreign Minister. According to MFA contacts, the Minister wants to hear and absorb neighboring countries' reactions and concerns before taking the AGP plunge. In that sense, keeping Peru in the loop on others' responses, and offering to include GOP language in the AGP text and communique, should help. President Garcia's participation in the September 24 meeting remains in doubt, but we will continue to press for it. End Comment.

¶10. (U) EEB Assistant Secretary Sullivan and WHA Principal Deputy Assistant Secretary Kelly cleared this cable.  
NEALON